

EXECUTIVE SECRETARIAT
ROUTING SLIP

TO:	INFO	ACTION	INFO	DATE	INITIAL
1 DCI					
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9 Chm/NIC					
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12 Compt					
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14 D/Pers					
15 D/OIL					
16 C/PAO					
17 SA/LA					
18 AO/DCI					
19 C/IPD/OIS					
20 NIO/AL-Low					
21 EVRA/DDC					
22 NIO/EDON					
SUSPENSE			Date		

Remarks

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Executive Secretary

1/11/84

Date



OFFICE OF THE SECRETARY OF THE TREASURY
WASHINGTON, D.C. 20220

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January 10, 1984

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MEMORANDUM FOR THE VICE PRESIDENT
THE SECRETARY OF STATE
THE SECRETARY OF DEFENSE
THE SECRETARY OF AGRICULTURE
THE SECRETARY OF COMMERCE
THE DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET
✓ DIRECTOR OF CENTRAL INTELLIGENCE
UNITED STATES TRADE REPRESENTATIVE
ASSISTANT TO THE PRESIDENT FOR NATIONAL SECURITY
AFFAIRS
ASSISTANT TO THE PRESIDENT & DEPUTY TO THE CHIEF
OF STAFF
ASSISTANT TO THE PRESIDENT FOR CABINET AFFAIRS
CHAIRMAN, COUNCIL OF ECONOMIC ADVISORS
ASSISTANT TO THE PRESIDENT FOR POLICY DEVELOPMENT
ADMINISTRATOR, AGENCY FOR INTERNATIONAL DEVELOPMENT

SUBJECT Senior Interdepartmental Group on
International Economic Policy

Attached are the minutes of the SIG-IEP meeting held on
December 14.

Christopher Hicks
Executive Secretary and
Special Assistant to the Secretary

Attachment

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SENIOR INTERDEPARTMENTAL GROUP-INTERNATIONAL ECONOMIC POLICY

2:00 p.m.

December 14, 1983
Roosevelt Room

Attendees:

TreasurySecretary Regan, Chairman
Beryl Sprinkel
Marc LelandCIA

David Low

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Office of the Vice President

G. Phillip Hughes

USTRAmbassador Brock
Robert LighthizerStateKenneth W. Dam
Thomas M. T. Niles
Elinor ConstableAIDM. Peter McPherson
Bradshaw LangmaidDefenseDov Zakheim
William J. WeidaCEAMartin Feldstein
Robert ThompsonAgricultureSecretary Block
Alan TracyCabinet Affairs

Larry Herboldsheimer

Commerce

Olin Wethington

OPD

Roger Porter

OMB

Joseph Wright

NSCRoger Robinson
David WiggU.S.-EC Ministerial Report

The Chairman addressed the outcome of the U.S.-EC Ministerial, noting in particular two developments:

-- Limited progress on EC export subsidies and CAP reform in the form of promised continued EC best efforts and new consultations with the United States.

-- New joint U.S.-EC group to examine high tech protectionism and discrimination.

Ambassador Brock discussed ways of blunting the French lead in efforts to protect EC high tech industries:

-- Use the new working group, as we do with the Japanese, to hype U.S.-EC cooperation.

-- Give the other West European governments a forum for disagreeing with French proposals.

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The Chairman noted that EC governments had complained at the Ministerial about the high U.S. dollar and high interest rates supposedly draining capital from Western Europe. He indicated he responded by stressing the West European trade surplus with the United States and low U.S. inflation rates.

Food Aid to Egypt

Secretary Block discussed the options presented in the discussion paper. Regarding (1) donating or selling dairy products and (2) wheat flour sales, it was noted that both would complicate U.S. dealing with GATT and the EC, and the dairy products transaction would be detrimental to Egypt's dairy industry, which is functioning well at this time. It was suggested that the United States might consider donating dairy products as a final lever to encourage compliance with IMF austerity measures. Secretary Block noted that the United States has already authorized \$120 million in blended credits to Egypt in FY 1984 for wheat, and suggested a "wait and see" approach on further assistance.

It was noted that the Egyptian Government has been slow to progress toward Paris Club and IMF accords and that some forms of pressure was needed to encourage compliance. Mr. Leland argued that flexibility covering a variety of credit sources was important as a means of influencing Egyptian efforts to undertake austerity.

International Debt Update

Treasury representatives reported on the status of Brazil's credit package:

-- \$6.2 billion of the \$6.5 billion target has been raised.

-- Brazil had not been successful previously in the Middle East, but Delfim Netto had partially succeeded the previous week in raising OPEC participation.

Initial impressions of Argentine Economics Minister Grinspun were favorable. Announced economic policy changes appear to be for the good. Commercial banks dispersed \$500 million on November 30, part of which was used to pay up some interest arrearages, leaving U.S. banks with no write-down problems vis-a-vis Argentina for 1983.

Jamaica is still negotiating with the IMF, and the Jamaicans express confidence they will sign a letter of intent by late December.

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It was noted that the Mexican Government has requested of the Bank Advisory Committee that past loan spreads be renegotiated and that new spreads be cut. The initial creditor-bank reaction was one of concern, but apparently the Mexicans do not intend to press too hard on renegotiations.

The Chairman noted that Mexico has made substantial progress in rationalizing economic activity, but the inflation rate is still too high.

Regarding a Mexican request for \$1.5 billion in CCC credits, the Chairman suggested that the staffs at Treasury and Agriculture meet to work out a response. It was agreed that the Mexican Government should be told immediately that they will not be getting the full amount requested.

The Chairman noted that \$50 million in credit guarantees for the Philippines had just been released, and the Philippine Government was advised to move faster to meet IMF austerity requirements. The Chairman noted that an ESF bridging loan required an IMF program in place in order to have something to bridge to. It was agreed that the Philippine economic situation was deteriorating and that Manila was moving too slowly to reverse the situation.

Ambassador Brock suggested that a study be initiated:

-- To examine available U.S. means of providing credit and to determine which best serve U.S. interests, and

-- To look at U.S. credit resources and determine if they will meet ultimate demands.

Ambassador Brock noted that U.S. exports to LDC's were down by 46 percent -- a development that must be reversed.

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